

Approved

Arthur Douville 3-7-88  
Date

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Arthur Douville at  
Chairperson

9:06 a.m./~~p.m.~~ on February 3, 1988 in room 526-S of the Capitol.

All members were present except:

Representative Bideau - Excused

Committee staff present:

Jim Wilson, Revisor of Statutes' Office  
Jerry Ann Donaldson, Kansas Department of Legislative Research  
Juel Bennewitz, Secretary to the Committee

Conferees appearing before the committee:

Bill Layes, Chief of Research Analysis, Department of Human Resources (DHR)  
Bill Clawson, Chief of Benefits, DHR  
Paul Bicknell, Chief of Contributions, DHR  
Ray Siehndel, Director of Administration, DHR

Chairman Douville called the meeting to order at 9:06 a.m. At his request, Jim Wilson introduced a conceptual bill. The bill originated from a recommendation by the Employment Security Advisory Council. It is cleanup language regarding K.S.A. 44-710 - a conformity issue and the other is regarding certain accounts receivable that have been written off by the department. Representative Buehler made a motion to introduce the bill as a committee bill. Representative Cribbs seconded the motion which passed.

Dennis Taylor, Secretary of Kansas Department of Human Resources, introduced the conferees as well as Joel Ybarra, Quality Control, DHR; and Eldon Dillingham, Research Analyst - Quality Control, DHR.

Bill Layes presented the material contained in attachment #1. He stated the total unemployment rate attempts to measure unemployment for the entire economy and picks up those portions of the work force not covered by the Unemployment Security Law e.g. self-employed, family and certain agricultural workers. The insured unemployment rate is always somewhat less than the total unemployment rate because only those covered are measured. After benefits are exhausted, employees are reflected in the total unemployment rate, not the insured rate.

The U.S. Department of Labor, Division of Actuarial Services, provides the formula for computing the statistics on page eight.

Noting some of the high unemployment figures on page 9, the chairman asked if there were job training programs in any of those areas. Secretary Taylor cited Wyandotte County and stated a grant had been received in the last few days (from U.S. Dept. of Labor) to assist in the retraining of employees laid off from the Fairfax and Leeds plants. The cause of the 11% unemployment rate in Linn County was questioned. The principal reason is the December construction layoff, secondly the commuting pattern to Kansas City.

Representative Mead asked the maximum time between the termination of maximum benefits paid and the resumption of a new benefits period. Mr. Layes answered the normal period of time is 9 months. The representative questioned tracking repeaters. Mr. Clawson responded that there is a statutory return to work requirement making it impossible for someone to "double dip". The trigger mechanism to get extended benefits is 5% insured on a statewide basis and a 13 week average.

Referring to the earlier mention of the grant to Wyandotte County, the chairman asked if social services were going to be available to those unemployed. Secretary Taylor responded General Motors, United Auto Workers, and Kansas-Missouri "free monies" were involved and felt that was the extent of what was being offered.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Labor and Industry,  
room 526-S, Statehouse, at 9:06 a.m./~~p.m.~~ on February 3, 1988

Secretary Taylor stated that the dislocated worker program would not be the norm in terms of social assistance. In terms of the ordinary work situation and coordinating the job training program with social services, the secretary stated there were some problems in terms of federal requirements that needed to be solved.

There was discussion regarding cutting the contribution rate currently charged to employers. This would require a statutory amendment. Experts advising the DHR assert that for the reserve fund to retain an adequate balance, it should be 3% and currently the fund is at the low end of the recommended amount. Representative Patrick declared an interest in lowering the rate so that during the next 1½-2 years, based on DHR's projections, the reserve would be 1½-1 3/4. Secretary Taylor stated that it could get there naturally based on the interest rate.

Chairman Douville asked if there were contributions being paid in an amount of under \$10.00. Paul Bicknell responded that the only current provision for not paying a tax amount is if it is less than a dollar. An amount of \$10.00 or less could be forgiven but an employer's requirement to file a quarterly wage report would not be changed as the wage credits still have to be submitted with the tax form to be put on file.

David DePue, Kansas Council on Vocational Education, told the committee that General Motors is putting \$750,000 into vocational programs and \$250,000 into a retraining program for workers along with social services to bolster any problems.

The meeting was adjourned at 9:37 a.m. The next meeting will be February 10, 1988, 9:00 a.m. in Room 526-S.

HOUSE COMMITTEE ON  
LABOR AND INDUSTRY

Guest List

Date February 3, 1988

<u>Name</u>	<u>City</u>	<u>Representing</u>
Paul Bicknell	Topeka	DHR
Bill Clawson	"	"
Joseph M. Ybarra	Topeka	DHR
Eldon Dillingham	Topeka	DHR
Bill LAYES	"	"
Dennis Taylor	"	DHR
Ray D. Gubick	"	"
Mary Vincent	"	AGE of KS
David DeFue	Topeka	KCOVE

CURRENT FINANCIAL POSITION OF  
KANSAS UNEMPLOYMENT INSURANCE  
BENEFIT TRUST FUND

. . . . prepared for

HOUSE LABOR AND INDUSTRY COMMITTEE

Hearing of February 3, 1988

KANSAS DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF POLICY AND MANAGEMENT ANALYSIS  
RESEARCH AND ANALYSIS SECTION  
FEBRUARY 1988

HOUSE LABOR & INDUSTRY  
Attachment #1  
02-03-88

## TABLE OF CONTENTS

	<u>Page</u>
Highlights . . . . .	1
Review of Kansas Employment 1980-1987 . . . . .	2
Claims and Payment Activities . . . . .	5
Contributions Information . . . . .	7
Adequacy of the Trust Fund . . . . .	7
Recommendations . . . . .	8
Appendix	
December 1987 Unemployment Rates (Map) . . . . .	9
Average Tax Rates and Range of Rates by State . . . . .	10
Reserve Fund Ratio . . . . .	11

## HIGHLIGHTS

- \* Kansas employment has increased five per cent from 1980 to 1987.
- \* Employment has shifted from goods producing industries to services producing industries.
- \* During 1980 to 1987 total unemployment ranged from a high of 6.3 per cent in 1982; to a low of 4.2, in 1981. Insured unemployment ranged from a high of 4.1 per cent in 1982; to a low of 2.1, in 1984.
- \* From 1980 to 1987 benefits exceeded contributions by \$110.7 million.
- \* Fund balance fell to \$93 million in midst of the 1982-1983 recession.
- \* Surcharge on employer contributions was enacted for CY 1983 and maximum weekly benefit amount for claimants was frozen for FY 1984-1986.
- \* Current trust fund balance is approximately \$355 million.
- \* Current reserve fund ratios at 2.04 per cent and high cost multiple at 1.1 are below recommended levels (3.00 per cent and 2.0-3.0).
- \* Fund balance can deplete rapidly during recessionary times with payout per week at \$6,000,000 or more.
  - \*\* More claimants due to expanded labor force.
  - \*\* Higher average wba due to increase in total wages.
- \* Little if any growth in fund balance would be experienced without interest earned.

## A Review of Kansas Employment 1980-1987

From 1980 to 1987, the Kansas Civilian Labor Force and total employment both grew approximately five per cent. During these years, industry employment covered under the Kansas Unemployment Security Act increased approximately six per cent. Although total employment grew, it was tempered by two recessionary periods early in the 1980's. In addition, growth was not uniform.

Goods producing industries--manufacturing, mining, and construction--comprised nearly 27 per cent of all industry employment in 1980. Manufacturing and construction employment, strong in the 1970's, had peaked in 1979. From 1979 through 1983, manufacturing jobs alone dropped by 34,200. In 1984, employment in this sector rose slightly over 10,000 workers and has remained stable. The construction industry followed a similar trend, with total employment less than one-third that of manufacturing as shown on Table 1. The mining industry experienced a gradual loss of workers with the sharpest decline in 1986. In 1987, employment in Goods Producing Industries represented approximately 23 per cent of all industry employment.

Real overall growth during 1980 to 1987 occurred in the services producing industries. This group includes transportation and public utilities; wholesale and retail trade; finance, insurance and real estate; services; and government. The services sector had the largest increase of 34,000 jobs. Much of this expansion is attributed to the fast-growing business service segment, which includes establishments providing a variety of services to other businesses. The service sector and the finance, insurance and real estate sector each grew by 20 per cent during the last seven years. Wholesale and retail trade, the largest industry in service producing industries, grew by 11 per cent, or 25,000 jobs. Government employment was five per cent greater in 1987, compared to 1980. The only industry which had less employment in 1987, compared to 1980, was transportation and public utilities. Service producing industries increased from 73 per cent of all industry employment in 1980 to 77 per cent in 1987.

Table 1  
 Kansas Labor Market Summary  
 Average Annual Employment  
 Calendar Years 1980 - 1987

	<u>CY 80</u>	<u>CY 81</u>	<u>CY 82</u>	<u>CY 83</u>	<u>CY 84</u>	<u>CY 85</u>	<u>CY 86</u>	<u>CY 87</u>	
Civilian Labor Force--Place of Residence Data									
Civilian Labor Force	1,184,000	1,190,000	1,185,000	1,186,000	1,196,000	1,235,000	1,224,000	1,248,000	a/
Employment.....	1,131,000	1,140,000	1,111,000	1,114,000	1,133,000	1,174,000	1,158,000	1,186,000	a/
Unemployment.....	53,000	50,000	74,000	72,000	63,000	62,000	67,000	62,000	a/
Unemployment Rate.	4.5	4.2	6.3	6.1	5.2	5.0	5.4	5.0	a/
Nonfarm Wage and Salary Employment--Place of Work Data (in thousands)									
All Industries.....	944.7	949.7	921.4	921.6	960.7	967.9	984.8	999.6	
Goods Producing Industries									
Manufacturing.....	190.5	188.6	168.8	164.7	176.4	174.4	175.7	175.9	
Mining.....	16.1	19.8	18.8	17.2	17.9	16.7	12.2	11.5	
Construction.....	46.5	42.7	39.0	39.7	43.6	42.3	43.9	44.5	
Services Producing Industries									
Transp & Pub Util.	63.7	62.7	61.4	62.2	64.1	63.9	62.7	61.4	
Whlse & Ret Trade.	226.4	228.6	227.9	229.0	239.4	243.3	247.8	251.4	
Fin, Ins & R E....	47.2	48.2	48.9	50.0	51.3	52.8	54.7	56.4	
Services.....	166.8	173.2	172.8	175.9	182.8	185.8	193.7	200.8	
Government.....	187.4	185.9	183.8	182.9	185.2	188.7	194.1	197.8	

a/ Preliminary figures.

February 1988, Kansas Department of Human Resources, Research and Analysis Section, Phone (913) 296-5058  
 Developed in cooperation with the U.S. Bureau of Labor Statistics

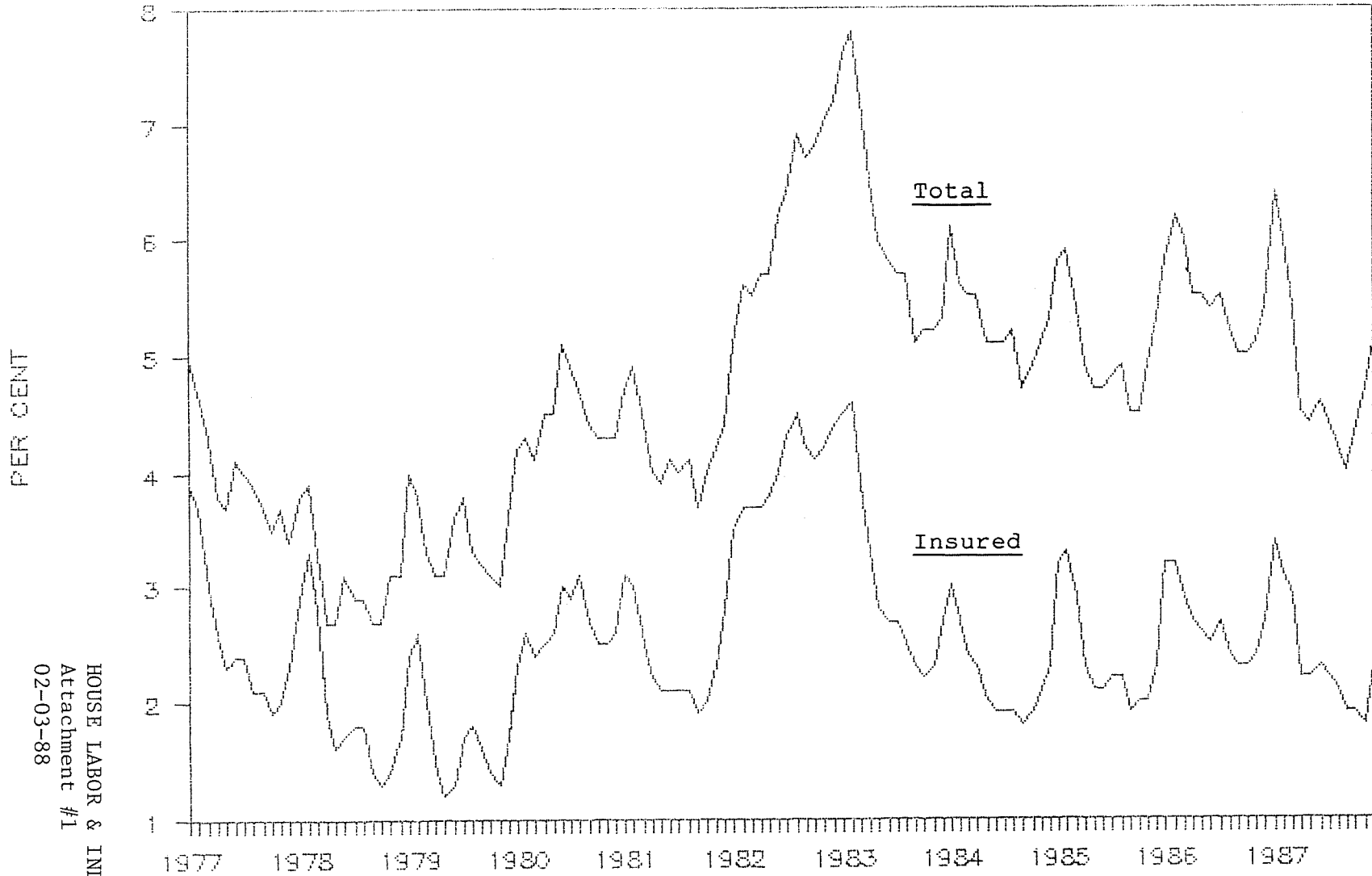
HOUSE LABOR & INDUSTRY  
 Attachment #1  
 02-03-88



GRAPH 1

# UNEMPLOYMENT RATES—INSURED AND TOTAL

JAN 1977—DEC 1987 BY MONTH



HOUSE LABOR & INDUSTRY  
Attachment #1  
02-03-88

## Claims and Payment Activities

Claims activities in Kansas during the 1980's were at moderate levels for the first two years. Claims reached a peak during the recessionary year of 1982, fell off as the recession ended during mid-1983, and were at approximately pre-recession levels from 1984-1987.

### Claims Information

<u>Calendar Year</u>	<u>Initial Claims</u> <u>1/</u>	<u>Continued Claims</u> <u>2/</u>
1980.....	175,805	1,255,039
1981.....	144,600	1,120,643
1982.....	266,944	1,878,606
1983.....	196,154	1,433,483
1984.....	154,662	1,011,577
1985.....	176,520	1,182,123
1986.....	184,017	1,279,264
1987.....	161,211	1,170,859

1/ Initial Claim--Any notice of unemployment filed to request a determination of entitlement to and eligibility for compensation or to begin subsequent unemployment periods within a period of eligibility.

2/ Continued Claim--A claim filed by mail or in person for waiting period credit or payment for one or more weeks of unemployment.

The amount of benefits paid to Kansas claimants has varied during the 1980's in the same direction as claims. Percentage declines in 1983 and 1984 for total payments were more substantial than for claims. "Freezing" the maximum weekly benefit amount during fiscal year 1984 at \$163.00 compared to a calculated \$174.00, and during fiscal year 1985 at \$175.00 compared to a calculated \$181.00, were principal factors contributing to these decreases.

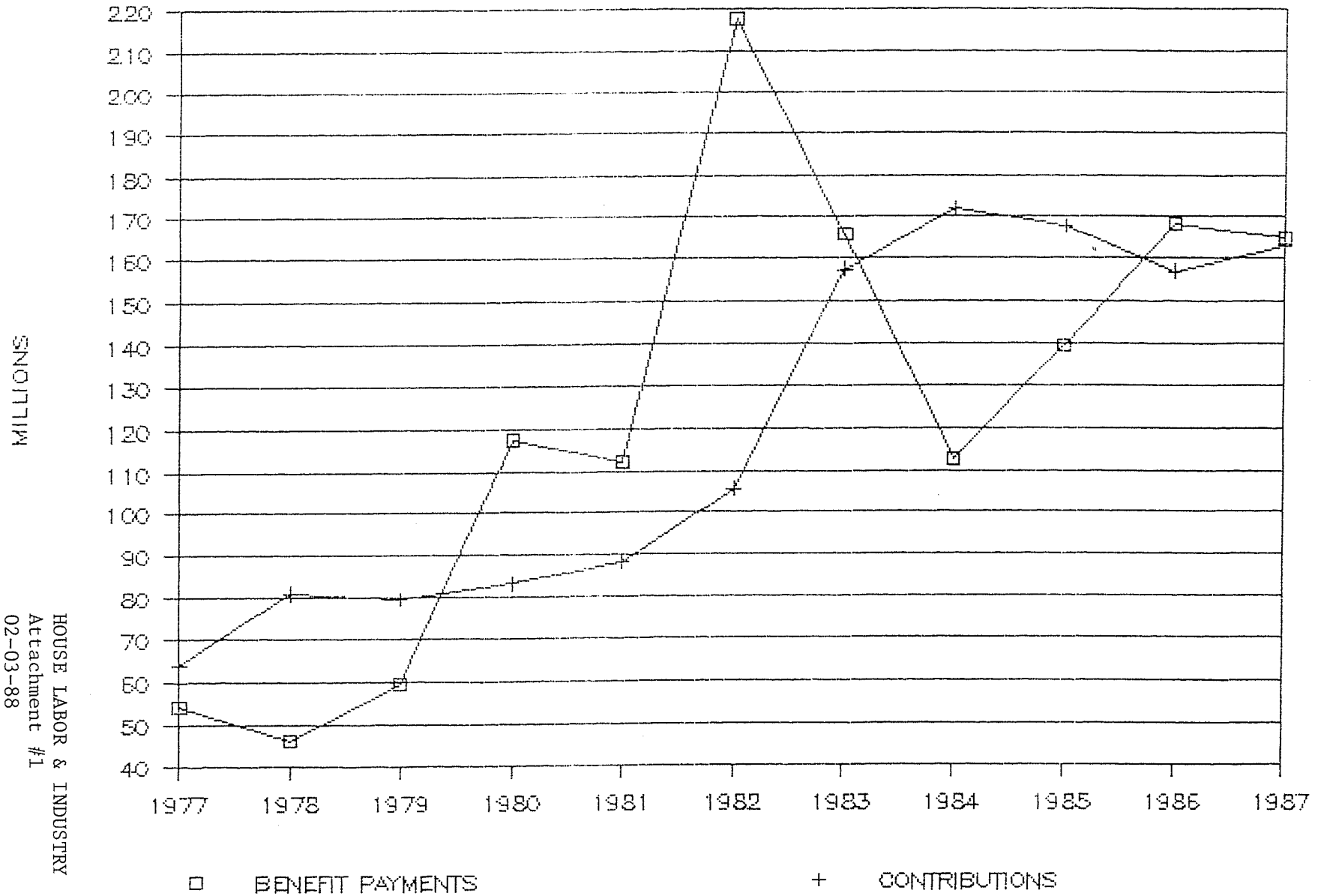
### Benefit Payment Activity

<u>Calendar Year</u>	<u>Benefits Paid</u>	<u>Weekly Benefit Amounts</u>		
		<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
1980.....	\$117,679,850	\$104.31	\$123.00	\$30.00
1981.....	112,339,532	111.24	136.00	34.00
1982.....	217,803,266	126.09	149.00	37.00
1983.....	165,894,893	128.65	163.00	40.00
1984.....	112,824,942	127.02	163.00	40.00
1985.....	139,744,391	136.45	175.00	43.00
1986.....	168,446,515	147.42	190.00	47.00
1987.....	166,061,153	156.26	197.00	49.00

GRAPH 2

# BENEFIT PAYMENTS AND CONTRIBUTIONS

1977 - 1987



## Contributions Information

Tax rate schedules have been amended several times during the 1980's. The maximum allowable rate was 3.60% in 1980; 3.80%, 1981; 4.30%, 1982; and 5.40% from 1983 hence. A 20 per cent temporary surcharge was imposed by the legislature on 1983 rates to curtail decreases in the fund balance. This resulted in a maximum rate for 1983 of 6.48 per cent. During the 1980's, contributions exceeded benefits only in 1984 and 1985. This was necessary to recover losses during the first years of the decade. With benefits exceeding contributions by approximately \$110 million during the eight years, growth of the fund has come about only as a result of approximately \$187 million in interest received. During the 1980's, interest income was at a level equivalent to an annual average of 15.9 per cent of total benefits paid each year.

## Contributions Information

<u>Calendar Year</u>	<u>Contributions Received</u>	<u>Interest Received</u>	<u>Maximum Tax Rate</u>	<u>Minimum Tax Rate</u>
1980.....	\$83,265,697	\$19,267,729	3.60	.05
1981.....	\$88,240,527	\$21,263,746	3.80	.05
1982.....	\$105,685,487	\$23,127,289	4.30	.06
1983.....	\$157,509,385	\$14,734,645	6.48	.08
1984.....	\$172,155,286	\$18,413,530	5.13	.06
1985.....	\$167,886,642	\$27,090,126	4.80	.06
1986.....	\$157,037,506	\$30,948,000	4.40	.06
1987.....	\$158,349,744	\$31,527,292	4.42	.06
1988.....	---	---	4.40	.05

## Adequacy of the Trust Fund

Analysts familiar with unemployment insurance commonly use two measures to determine trust fund adequacy; the reserve fund ratio and the high cost multiple. The reserve fund ratio is the percentage derived by dividing the reserve fund balance at a given time by the total wages paid by covered employers during the preceding 12 months. The ideal reserve fund ratio is 3.00 per cent or higher. Since 1980, the reserve fund ratio has been less than 2.00 per cent. Currently, the ratio is nearing the levels of 10 years ago, as shown on the following table. The high cost multiple is a statistical parameter derived from the reserve fund ratio and the highest benefit cost rate (BCR) for a four quarter period. The BCR is obtained by dividing benefits by total wages. The highest BCR in the last 15 years was 1.794 per cent for the four quarters ending March 31, 1983. Previously, it had been 1.55 per cent for the 12-month period ending June 30, 1971. Using these values, the high cost multiple has not reached the minimum safe level of 1.5 since the last quarter of 1979. Currently it stands at 1.1. It did peak in the last quarter of 1974 at 1.9.

Using these measures, the current fund balance cannot be considered excessive. Even though numerically more than \$200 million greater than 10 years ago in 1977, the 1987 balance does not yield sound actuarial statistics.

Selected Measures of Trust Fund Adequacy  
1977 - 1987

Calendar Year	Total Wages (000,000's)	Reserve Fund Balance (000,000's)	Reserve Fund Ratio	High Cost Multiple
1977.....	\$ 6,861.0	\$152.6	2.22%	1.5
1978.....	9,086.8	197.0	2.17	1.4
1979.....	10,400.6	234.2	2.25	1.5
1980.....	11,507.7	218.7	1.90	1.2
1981.....	12,706.3	220.8	1.74	1.1
1982.....	13,214.9	135.1	1.02	0.6
1983.....	13,751.1	152.5	1.11	0.6
1984.....	15,009.4	234.7	1.56	0.9
1985.....	15,770.7	295.7	1.87	1.1
1986.....	16,552.8	322.7	1.95	1.1
1987.....	17,300.0(est.)	355.0	2.04(est.)	1.1(est.)

Recommendations

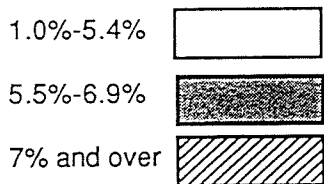
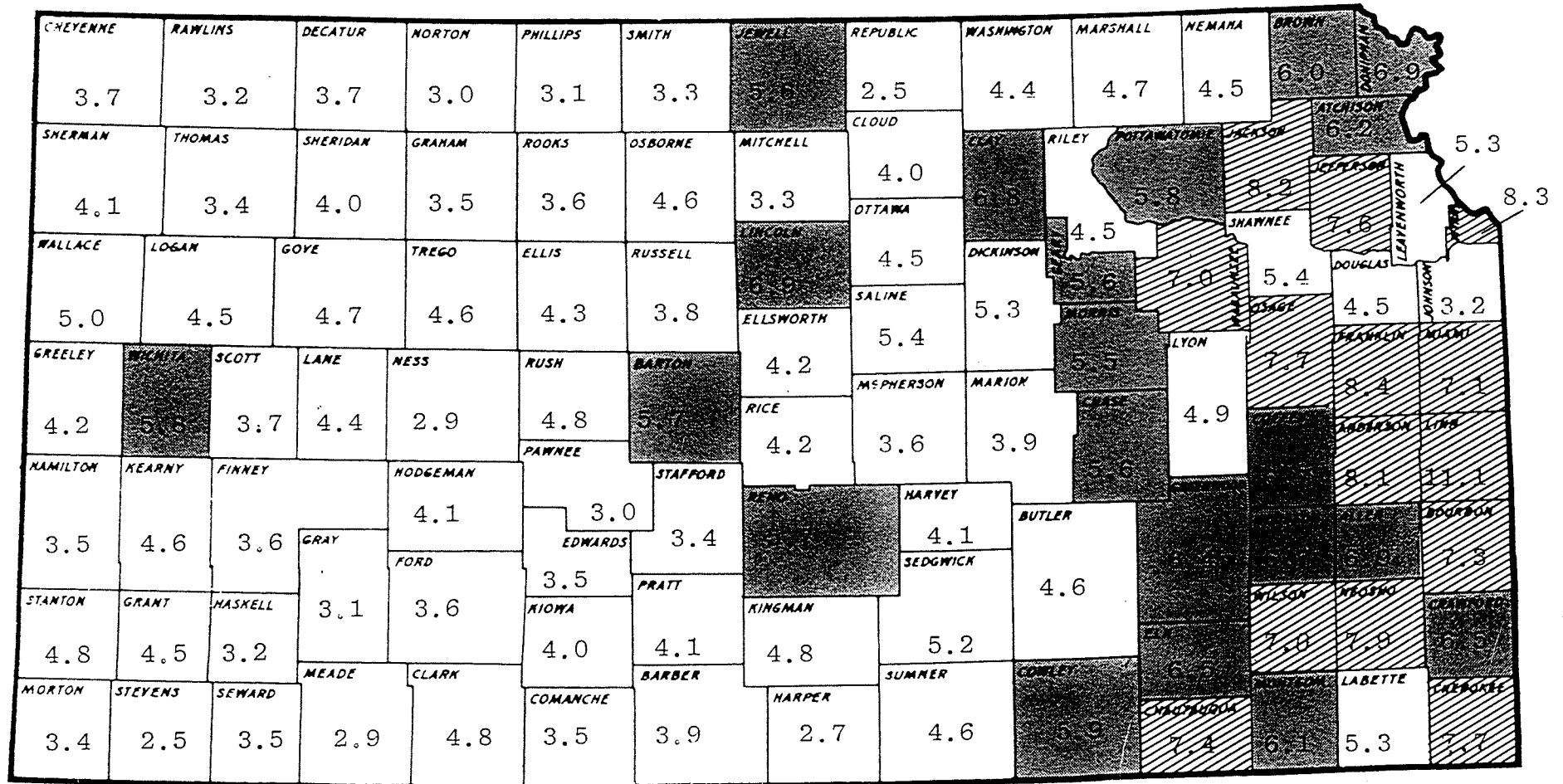
The 1980's has thus far been characterized by periods of relatively low and high unemployment. The rate of 4.2 per cent during 1981 was sharply reversed by the 1982 and 1983 recessionary rates of 6.3 and 6.1 per cent, respectively.

Benefit payments have exceeded contributions during six of the past eight years, yet the trust fund has grown and interest earned upon that fund has risen to a level where it is approximately equivalent to 20 per cent of total annual payout. While the fund has increased, the potential for payout, measured in terms of total wages and covered employment has also risen dramatically (total wages, 50 per cent and covered employment, eight per cent). Measured by key actuarial terms recommended by the U.S. Department of Labor, the adequacy level of the current trust fund is somewhat less than that of the late 1970's. It is our recommendation that the current funding mechanism be left intact and allowed to be fully operative.

HOUSE LABOR & INDUSTRY  
Attachment #1  
02-03-88

A P P E N D I X

DECEMBER 1987 UNEMPLOYMENT RATES  
 (Adjusted for federal statistical purposes)  
 STATE AVERAGE - 5.1



'87BM

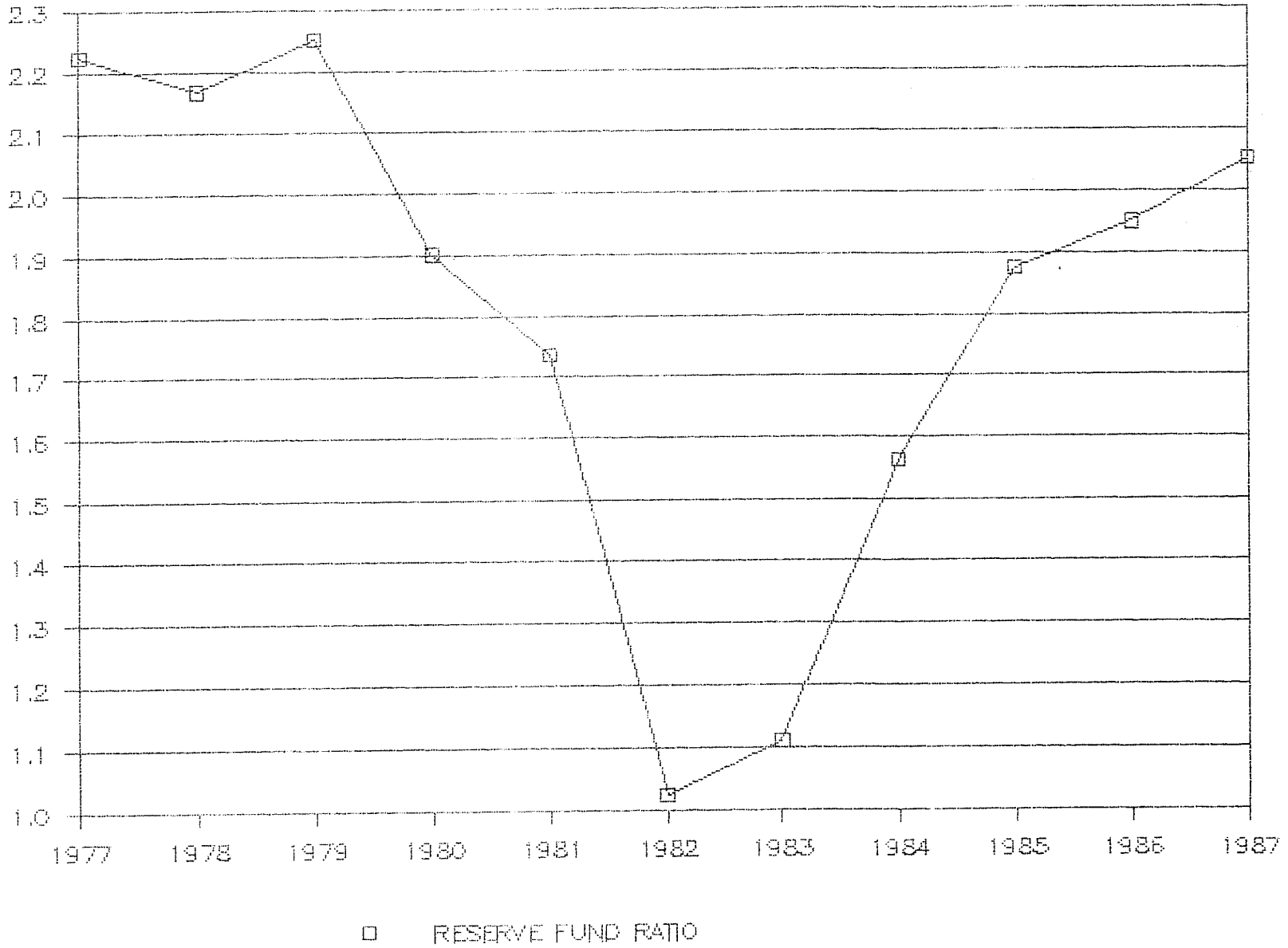
Average Tax Rates and Range of Rates by State  
Calendar Year 1987

STATE	AVERAGE TAX RATES		CURRENT TAX RATES	
	TOTAL	TAXABLE	MAXIMUM	MINIMUM
ALABAMA (8000)	0.80	1.70	5.40	0.50
ALASKA (21500)	2.40	3.50	5.40	1.15
ARIZONA	0.50	1.40	5.40	0.10
ARKANSAS (7500)	1.20	2.80	6.50	0.60
CALIF.	0.90	2.50	5.40	0.50
COLORADO (9000)	0.90	2.20	5.40	0.30
CONN. (7100)	0.70	2.00	6.30	1.40
DELAWARE (8500)	1.10	3.00	9.50	1.60
FLORIDA	0.40	1.00	5.40	0.10
GEORGIA (7500)	0.60	1.60	8.64	0.06
HAWAII (16500)	1.20	1.70	5.40	0.20
IDAHO (16200)	2.10	3.00	6.40	2.50
ILLINOIS (8500)	1.50	4.00	7.30	0.80
INDIANA	0.60	1.50	5.40	0.30
IOWA (12300)	1.60	2.90	9.00	0.00
KANSAS (8000)	1.10	2.50	6.40	0.05
KENTUCKY (8000)	1.00	2.80	9.75	0.60
LOUISIANA	1.70	4.20	8.34	0.42
MAINE	1.10	2.50	6.00	1.90
MARYLAND	0.50	1.70	5.40	0.10
MASS.	0.80	2.00	5.40	1.20
MICHIGAN (9500)	2.00	5.20	10.00	1.00
MINNESOTA (11200)	1.20	2.50	7.50	1.00
MISS.	0.60	1.50	5.40	0.10
MISSOURI (7500)	0.60	1.60	6.00	0.00
MONTANA (13400)	1.40	2.00	6.50	1.20
NEBRASKA	0.70	1.70	5.40	0.10
NEVADA (11700)	0.90	1.60	5.40	0.30
N. H.	0.30	0.80	6.50	0.01
N. J. (11300)	1.10	2.50	6.40	0.60
N. M. (10700)	1.00	2.00	5.40	0.90
NEW YORK	0.90	3.10	6.40	1.10
N. CAR (9600)	0.50	0.90	6.27	0.11
N. DAK (10800)	2.30	4.00	10.70	1.10
OHIO (8000)	1.30	3.50	7.00	1.80
OKLAHOMA (9100)	1.10	2.60	9.20	0.30
OREGON (14000)	1.90	3.10	5.40	2.20
PENN. (8000)	1.70	4.40	9.70	2.00
R. I. (11400)	2.10	3.80	8.40	2.30
S. C.	0.91	2.00	5.40	1.30
S. DAKOTA	0.70	1.40	9.00	0.10
TENNESSEE	0.60	1.40	10.00	0.15
TEXAS	0.90	2.40	8.44	0.44
UTAH (12900)	1.00	1.70	8.00	0.50
VERMONT (8000)	1.80	4.10	8.40	1.30
VIRGINIA	0.80	1.90	6.20	0.10
WASH. (13200)	2.30	4.00	5.40	2.48
W. V. (8000)	1.90	4.50	9.50	2.50
WISCONSIN (10500)	2.00	4.10	10.00	0.40
WYOMING (10300)	1.60	3.20	9.25	1.25



# RESERVE FUND RATIO

1977-1987



PER CENT OF TOTAL WAGES

HOUSE LABOR & INDUSTRY  
Attachment #1  
02-03-88